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ORIGINAL



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July 9, 2004

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Ex Parte

JUL - 9 2004

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, SW – Portals
Washington, DC 20554

Federal Communications Commission
Office of Secretary

Re: Section 251 Unbundling Obligations for Incumbent Local Exchange Carriers, CC Docket No. 01-338; Implementation of Local Competition Provision of the Telecommunications Act of 1996, CC Docket No. 96-98; Deployment of Wireline Services Offering Advanced Telecommunications Capability, CC Docket No. 98-147

Dear Ms. Dortch:

On July 9, 2004, Ed Shakin, Karen Zacharia, Sherry Ingram, Michael O'Connor, Jim Pachulski and I, representing Verizon, met with Michelle Carey, Tom Navin, Jeremy Miller, Russ Hanser, Gail Cohen, Ian Dillner, and Mark Maher of the Competition Policy Division. The purpose of the meeting was to discuss materials that Verizon previously submitted relating to mass-market switching and high-capacity services on June 24 and July 2, 2004. The discussion was focused on the points raised in the attachment.

Please place this notice in the record of the above proceedings.

Sincerely,

Attachment

c: Michelle Carey
Tom Navin
Jeremy Miller
Russ Hanser
Gail Cohen
Ian Dillner
Mark Maher

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I. Demand For High Capacity Facilities Is Concentrated.

- 80 percent of the demand for Verizon's high capacity special access services is concentrated in fewer than 8 percent of its wire centers.
- Three-quarters of these wire centers are located in just 20 MSAs.

II. Competing Providers Are Not Dependent on ILEC Facilities in Any of these MSAs.

- There is an average of about 20 networks in each of the top 50 MSAs nationally.
- Competing providers have deployed their own facilities in the wire centers with concentrated demand in each of the 20 MSAs that Verizon examined.
- Competing providers have deployed their own loop facilities to hundred of buildings, including the majority of buildings with large annual telecommunications expenditures.
- In each out-of-region market where it provides high capacity services, Verizon has found that at least one CLEC, and frequently more than one, has high-capacity loop and transport facilities with coverage comparable to the ILEC.
- Time Warner, for example, boasts that "while [RBOCs] have lots of fiber deployed, I don't know that they have more buildings connected than we do in all cases."

III. Competing Providers That Do Use ILEC Facilities Use Special Access Not UNEs.

- Time Warner recently reported that it "does not rely upon UNEs," and where it needs ILEC facilities to connect to remote customers, it purchases those facilities "under special access tariffs or under agreements with ILECs."
- 93 percent of the DS-1 loops that carriers purchase from Verizon and 98 percent of the DS-3 loops are purchased as special access services, not as UNEs.
- 95 percent of DS-1 loops that are purchased in combination with transport are purchased as special access, not as UNE EELs.
- Carriers purchase these services at deep volume and term discounts averaging 35 to 40 percent off of base rates or list prices.
- Carriers are successfully serving customers of all shapes and sizes using special access, ranging from the large enterprise customers whose business they dominate, to small and medium businesses such as antique dealers, book stores, dry cleaners, florists, gas stations, hairdressers, and travel agents.

I. Cable Company Deployment of Voice Services Has Ballooned Since the TRO.

- Cable companies already offer circuit-switched voice telephony to 15 percent of homes nationwide.
- Cable companies already offer VoIP to millions of homes and plan to extend VoIP to more than 24 million homes this year and at least 20 million more in 2005.
- In Verizon's service areas, companies now offer service to more than 12 million homes and are rolling it out to millions more.
 - *Cablevision* now offers VoIP to the 4 million homes it passes in the New York metropolitan area and in New Jersey.
 - *Time Warner* will deploy VoIP to "essentially all" of the 8 million homes it passes in Verizon's service territory in 2004.
 - *Comcast* now offers circuit-switched service to 6 million homes in Verizon's service territory; it plans to also offer VoIP to half the homes it passes this year and to the rest next year; it passes approximately 15 million homes in Verizon's service areas.
 - *Cox* already offers circuit switched voice service to approximately 1.7 million homes in Verizon's service areas; it offers VoIP in Roanoke, Virginia and plans to offer VoIP in additional markets this year.

II. VoIP is Widely Available to Anyone Who Has Access to Broadband Service

- VoIP is available from or being deployed by a wide range of companies, including major long distance companies, national VoIP providers such as Vonage, and other national or regional providers.
 - AT&T recently expanded its consumer VoIP offering to a total of 72 markets, plans to expand to 100 metropolitan markets by the end of this year, and plans to have at least one million customers by 2005.
- VoIP is available to any customer who has access to broadband, such as the 85-90 percent of U.S. homes that have access to cable modem service (or 92 percent in Verizon's 25 top MSA's).
- VoIP offerings are very competitive and are typically priced 30-40 percent or more below comparable circuit-switched offerings.
- Even for customers who currently use dial up access, a broadband connection with VoIP is very competitive with what customers pay for a narrowband bundle of local, long distance and dial up internet access.

III. Wireless carriers are aggressively competing both for lines and for traffic.

- Since the time of the TRO Order, wireless carriers are competing to an increasing degree to replace wireline access lines and calls.
- The number of wireless lines has grown from 137 million to 155 million while the number of wireline lines has declined.
- The percentage of users giving up their landline phones has grown from 3-5 percent to 7-8 percent.
- Wireless traffic has grown from 16 to 29 percent of all voice traffic and to 43 percent of long distance traffic.
- Other sources of intermodal competition such as e-mail and instant messaging also now substitute for a large amount of traffic on switched wireline networks.

IV. Carriers are Continuing to Compete with Their Own Switches

- Competing carriers have 10,000 circuit switches and packet switches nationwide.
- They have used these switches to provide voice telephone service in wire centers that contain 86 percent of Bell company access lines nationwide.
- In Verizon's 25 top MSAs, competitors are serving at least 2.1 million mass market lines using at least 133 of their own switches.
- In Verizon's top MSAs, competitors are using their own switches to serve lines in wire centers that contain 86% of Verizon's access lines.

DOCKET NO. 01-338

DOCUMENT OFF-LINE

This page has been substituted for one of the following:

- o An oversize page or document (such as a map) which was too large to be scanned into the ECFS system.

- o Microfilm, microform, certain photographs or videotape.

- o Other materials which, for one reason or another, could not be scanned into the ECFS system.

The actual document, page(s) or materials may be reviewed by contacting an Information Technician at the FCC Reference Information Center, at 445 12th Street, SW, Washington, DC, Room CY-A257. Please note the applicable docket or rulemaking number, document type and any other relevant information about the document in order to ensure speedy retrieval by the Information Technician.

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